Grupo Rotoplas
3Q23 Conference Call

Operator

Good morning and welcome to Grupo Rotoplas' results conference call. Please note that today's call is being recorded and all participants are currently in listen-only mode to prevent background noise. The host will open the floor for questions later.

Today's discussion contains forward-looking statements. These statements are based on the environment as we currently see it and as such there may be certain risk and uncertainty associated with such statements. Please refer to our press release for more information on the specific risk factors that could cause actual results to differ materially. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, further events or otherwise.

Please allow me to remind you that the company issued its earnings press release yesterday after market close. It can be found in the investor's section of its website. Also, the presentation for the call and the webcast link are in the investor's section.

Today's call will be hosted by Mr. Carlos Rojas Aboumrad, Chief Executive Officer and Mr. Mario Romero, Chief Financial Officer. I will now turn the call over to Mr. Carlos Rojas.

Carlos Rojas Aboumrad:

Good morning, everybody. Thank you for joining us today.

2023 continues to be a unique blend of challenges and opportunities. Adverse macroeconomic trends, climatic shifts, and political dynamics, particularly in Mexico, the United States, and Peru, have had a significant impact on our growth, particularly when compared to our 2022 results. These headwinds, and how we have managed to face them, showcase our agility, resilience, and our unwavering strategic direction.

In response to these challenges, we've prioritized strategies within our control: operational profitability, new business development, targeted discounts, and brand market leadership. While sales this quarter saw a decline of 15%, primarily due to a 17% dip in product performance and strong comparative base in Mexico, it's essential to see this within context. When analyzed against the 2022 exchange rate, and excluding the Argentinean devaluation, we see a contraction of 6.9%. However, this doesn't overshadow the bright spots. Our service revenue rose for the fourth consecutive quarter by 54%, with bebbia and our water treatment plant business leading the charge.

Reflecting on our third quarter results, they highlight our commitment to create value for our investors through sustainable growth and increased profitability. We continue to strive for operational excellence, and we continue to pursue new growth opportunities that will become, in time, significant growth and profitability drivers for our company.

Sales were negatively impacted by a high comparison basis, unfavorable weather and macroeconomic conditions in some of our markets, as well as the continuing effects of the Mexican Peso strength relative to other regional currencies. After several quarters of record growth, which created a very high watermark, the temporary setbacks of these past few months indicate that we must adjust our sales guidance for the year, even as we have registered a sequential increase in sales in absolute terms over the last two quarters.

Now, this sequential increase is particularly encouraging because it is driven by an increased demand for our services. This is the fourth consecutive quarter in which sales of services have increased, driven by bebbia and our water treatment plant business. Furthermore, we continue to see increased traction in our new businesses.

As we have discussed in the past, services and new business ventures will be key growth drivers. Integral to our future vision is the digitalization of the water ecosystem. Our 5-year cooperation agreement with Google Cloud, working hand-in-hand with SAP, underscores our dedication to this initiative, streamlining processes and integrating AI into the core of our operations. Additionally, the launch of Tinaco Plus+ stands as a testament to our commitment to efficiency, sustainability, and market leadership.

Despite the challenging landscape, our financial and operating results remain strong, driving our profitability and enhancing shareholder value. Our EBITDA margin over the past 9 months was 18%, aligning with the higher end of our guidance. Furthermore, our return on invested capital stood at a strong 17.7%, surpassing our target of an ROIC that's 250 basis points above the cost of capital. Notably, even with a sales reduction compared to last year, our quarterly net profit increased by 30% year-over-year.

We have, in sum, been able to maintain our market leadership position while adjusting to a rapidly changing market environment across the hemisphere without affecting our operating results in our core business and continuing to pursue new growth avenues. We remain, in short, on track to meet our 2025 goals in spite of the challenges of the past quarters and their negative impact on our sales growth.

Our business model has proven to be, time and again, both resilient and agile in challenging environments. We will continue to provide the solutions that our customers and societies need to make the best use of water, and we will continue to create value through financial and operational discipline and innovation.

Before turning the call to Mario I'm proud to highlight that AGUA* remains a key constituent of the "S&P/BMV Total Mexico ESG" index, a benchmark representing the top 24 companies that embody exemplary environmental, social, and governance principles. This underscores our dedication to people, planet, and profits. Additionally, for the second year in a row, out of 450 sustainability strategies, Rotoplas has been honored with the HSBC Sustainable Innovation Leading Companies Award, within the Social category.

Thank you very much for your time, I look forward to your questions and insights.

Mario Romero Orozco:

Thank you, Charlie. And thank you all being here.

The first three quarters of 2023 presented substantial challenges, but with our resilience and strategic focus on what we can control, we have effectively navigated these complexities. Our decisive actions in capital allocation, cost management, and working capital optimization have positively impacted our year-to-date margins.

Let's discuss our financial highlights for this quarter:

Although sales continue to grow quarter-on-quarter, reaching 3 billion pesos for Q3, they represent a year-over-year decrease of 15%. This decline stems primarily from two factors. Firstly, Q3 2022 saw a surge in product sales due to significant droughts in Mexico and the US, setting an elevated benchmark which subsequently led to a 17% quarter-on-quarter decrease. Secondly, the robustness of the Mexican peso curtailed the growth of sales in other currencies. To give you a perspective on the impact of currency fluctuations, after adjusting for the FX effects and the devaluation of the Argentinean peso, sales would have declined by 7%.

On a brighter note, we've witnessed a consistent uptick in our service sales for the fourth consecutive quarter, marking a 54% growth compared to Q3 2022. This positive trend is attributed to bebbia's steady influx of new subscribers and the continued success of our water treatment plants.

Regarding margins, our gross margin expanded by 170 basis points, primarily driven by our agile pricing strategy and a decrease in raw material costs. Admittedly, our operating profit took a hit of 250 basis points from reduced fixed cost absorption, and EBITDA decreased by 19%, pulling down the EBITDA margin by 90 basis points.

However, our net profit surged by 30%, propelled by profits from our FX coverage.

When looking at a nine-month horizon, the strength and results of our strategic focus are evident. While product sales saw an 11% year-over-year decrease, influenced by the previously referenced FX effects and broader macroeconomic hurdles, our services division stood out, generating 458 million pesos, fueled by bebbia, water treatment and recycling plants, and the expansion of rieggo, Acuantia Brazil, and Acuantia US.

During this nine-month stretch, our gross margin rose by 390 basis points, to reach 46%, highlighting the effectiveness of our sound pricing strategies and advantageous raw material pricing. EBITDA, in the same period, grew by 10%, with the EBITDA margin increasing by 320 basis points, seamlessly aligning with the top end of our guidance.

A side note, our net profit did experience a 38% dip year-over-year, primarily due to a 60% spike in financial expenses from our FX coverage and inflationary pressures in Argentina. However, it's worth highlighting that our ROIC rose by 330 basis points, positioning it at 530 basis points above our cost of capital.

Let's dive into our regional performance.

Starting with Mexico, we saw a decline of 13% in quarterly sales and 6% over the first nine months. This is in comparison to the high benchmark set in 2022. Nonetheless, our agile pricing strategy, adjusted for raw material cost fluctuations, has been pivotal in safeguarding our market presence and profitability.

Sales in Argentina more than doubled in local currency, marking a 130% quarterly surge and 116% over the first nine months. This growth was primarily due to our strategic price adjustments that aligned with inflation and a remarkable performance in the water heater sector. However, we should note the economic backdrop here – the depreciation of the Argentine peso means that when translated to Mexican pesos, we saw a decrease of 17% quarterly and 10% over nine months.

In the US, our quarterly sales went down by 24% in Mexican pesos and 10% in US dollars, and the nine-month metric stands at 21% in pesos and 10% in dollars. This was influenced by a trio of factors:

-The uptick in interest rates has slowed the construction sector, thus impacting the demand for our water storage solutions.

-A lack of significant droughts in key markets for Acuantia reduced the urgency for storage solutions.
- The home improvement sector has observed a normalization of demand after the years marked by the pandemic. Additionally, there has been a noticeable shift with consumers becoming more cautious due to economic uncertainties.

Shifting our focus to the performance in Central America, Brazil, and Peru:

We observed a year-over-year decline of 5% in quarterly combined sales, and 9% over the first nine months when denominated in Mexican pesos. Primarily, this is a reflection of the prevailing local currency challenges. To provide more clarity, absent the effects of the Mexican peso's appreciation, sales would have registered an increase of 8% and 2% respectively.

In Central America, our proactive pricing approach, aimed at boosting product demand, coupled with strategic ad campaigns, has fostered growth in local currency terms. Turning to Brazil, our Acuantia brand continues its forward momentum. The pipeline for water treatment and recycling plants is broadening, and we've implemented a refined sales management process, ensuring optimized bid propositions.

In Peru, economic challenges persist, evidenced by a reduction in government spending, consumer activity, and private investments. Our water heater sales in the region faced obstacles, primarily due to a milder winter caused by the El Niño phenomenon—a situation we had preemptively highlighted in our previous call.

Now, moving on to our solutions portfolio breakdown:

In terms of our portfolio mix, sales of products were 94% of total sales during the quarter and 95% in the first nine months.

Services have displayed 54% growth in the quarter and 47% over nine months, largely backed by bebbia and our water treatment plants, for this business unit, our focus remains on reducing the division's negative EBITDA impact while optimizing our product-service mix.

Now, examining our financial stance:

Our foundation is anchored by a strong balance sheet, offering a sturdy financial foundation from which we can drive growth and profitability.

Our financial discipline is evident in our net debt to EBITDA ratio of 1.6x, comfortably below our set threshold of 2x leverage. To provide more context, this figure encompasses a short-term USD-denominated loan sourced from the US, along with the proceeds from our sustainable bond, AGUA 17-2x, which amounts to 4 billion Mexican pesos.

One of our recent accomplishments includes refining our cash conversion cycle. Through strategic inventory and supplier management, we've successfully shortened it, reaffirming our emphasis on efficient working capital management.

However, it's essential to acknowledge that our cash reserves have seen a dip, primarily due to capital expenditures, dividend disbursements, and the effects of our FX hedge.

Now, moving forward to our Discipline in capital allocation:

Over the first 9 months, CAPEX constituted 3% of our sales, representing a 39% decrease compared to the previous year. This decrease is due to the fact that in 2022 we executed the phase of highest investment within the multi-year technological upgrade plan.

The majority of 2023 CAPEX has been strategically channeled towards enhancing our core products business, with a primary focus in Mexico. This deliberate investment not only strengthens our foundational offerings but also positions us favorably to seize emerging growth opportunities.

As we look ahead, our commitment is unwavering: We will maintain rigorous discipline in capital allocation, while remaining nimble in our approach. Our ultimate goal is to consistently prioritize avenues that amplify growth and elevate our profitability.

To this end, our core mission is not just about providing water solutions, but also about ensuring sustainable value for our investors. I'm pleased to report that, as of the end of September 2023, our ROIC stood at 17.7%. This marks an upward trajectory with a robust 330 basis points increase from September 2022. Even more notably, achieving a figure that's 530 basis points above our cost of capital, exceeding our guidance.

Now, I would like to highlight some noteworthy actions in the framework of our sustainability strategy:

At Rotoplas, our environmental commitment is paramount. Recently, our dedicated teams in Mexico City and Yucatán successfully collected a combined 2.6 tons of waste from local rivers, while in Peru, we made significant clean-up efforts in the Chillon, Rimac, and Lurin rivers. Furthermore, our branches in Argentina, Planta León, and Planta Monterrey have volunteer initiatives lined up for the upcoming months. Our ongoing actions underscore our belief that by working together, we can effect meaningful change for our environment.

Now, considering the prevailing environment, we anticipate an 8% decline in annual sales. While this is a point of consideration, it's also crucial to highlight that our guidance for the EBITDA margin remains steady, positioning between 17% to 18%. Moreover, we are committed to keeping our net debt to EBITDA leverage below two times.

On a brighter note, reflecting our ongoing pursuit of efficiency, we're increasing our ROIC forecast to at least 350 basis points above the cost of capital.

Finally, at our meeting yesterday, the Board approved distributing a capital reimbursement in kind, giving 1 additional share for every 30 held. These shares are currently held in the company's treasury. The decision to distribute a capital reimbursement rather than a dividend is driven by fiscal considerations, ensuring that investors are not adversely affected.

This initiative underscores our commitment to maximizing value for shareholders and offering a standout yield in the current high-interest rate environment in Mexico. Following the capital reimbursement given in May, with this one in November, we anticipate reaching a dividend yield close to 5.5%. We focus on rewarding our shareholder base, your trust and support have been key in this journey since the IPO. We will call a Shareholder Meeting on the 15th of November to ratify this proposal.

Again, we deeply value your trust and support as we continue navigating this landscape. I now open the floor for our Q&A session. Thank you for joining us.

Operator

Thank you. You can submit a question by pressing the Q&A button and please include your name and the company.

The first question that we have is from Carlos, from Apalache Research. "Hello. Good morning. Thank you for taking my questions and congratulations on the results. First, I would like to start with the recent relevant event related to artificial intelligence. What increases in profitability do you estimate when incorporating Google Cloud AI solutions, and which region would benefit most from these technologies?" And if you'd like, I'll read the second question after you answer this one.

Carlos Rojas Aboumrad

Great. Carlos, thank you very much for joining. Let me first start very briefly by explaining the relevance of digital technologies in our business model. Being a business that promotes the use of decentralized water solutions, complementing centralized infrastructure, but in a way that makes it more sustainable, decentralized to be done at scale means you have to replicate them multiple times in the millions of users. And so, the way to be able to do this efficiently with a standardized service is by leveraging the digital capabilities. So, one of the businesses that will be impacted mostly for this are the service businesses. With services, we deliver hundreds of thousands of services per year already and is growing very rapidly. And so, both bebbia and water treatment plants, as well as any e-commerce business, will be greatly benefited by this. It will be benefited to improve how we understand our customers, how we communicate with them, and how we serve them. Not only with that, it will improve how we identify opportunities in how to optimize our business. Additionally, it will also improve our cyber security capabilities and it will now open on new possibilities for our more traditional business, the products business, as we will be able to evolve our traditional solutions, leveraging AI to be able to give more information on to the different stakeholders and how to improve the use of water so that we can do it more sustainably. Mario, anything else that you'd like to share? You're very passionate about this.

Mario Romero

I probably have some short-term benefits that we'll have by moving into Google Cloud. We're going to be moving from different clouds that the Company uses while growing. So now putting into one single cloud will have some short-term then if it's in terms of costs, that's one thing. The other thing going forward is, The Google Cloud comes combined with SAP rise, as you know, we are an SAP run company. Moving into SAP rise, which is the latest solution from them, also runs in the cloud. It's going to be easier for the company to use our data to do more digital analytics going forward. Secondly, both SPA and Google Cloud have already signed an agreement between them and have created an ecosystem of different companies that have different softwares. It's going to be simpler and easier for us to implement technology into our processes and solutions towards our end consumers. So, we are very thrilled about this strategic partnership that we have done with both of these companies. And you'll start to see how these digital solutions come into place in Rotoplas, and how these create benefits not only in terms of user experience, but also to be more efficient in terms of our costs.

Operator

Thank you. I'll now read the second one from Carlos. “In the case of the Argentinian market, will you seek to improve margins in the coming quarters? What strategies will you implement to do so?”

Carlos Rojas Aboumrad

Just let me start very briefly by saying that Argentina is a very volatile market. And while I understand how the risk of that country is perceived, we've developed a strategy where we can leverage multiple different lines of products, and we do it very successfully. We leverage on water storage solutions, water flow control solutions and water improvement with heaters solutions. And by being able to have a more complete offer to our customers, we were able to navigate this volatility with what I would call a very stabilized result generation with very consistent performance. So, this is actually one of the things we're very proud of on how we can have the level of stability that we've had to this point, um, in such a volatile market and I think we have tremendous impact in the society and in the environment in Argentina on doing this. So, we're very proud of how we do business in Argentina. Regarding margins, we do manage margins by leveraging the strengths from these three different lines of products when they're put together. Mario, anything more specific that you'd like to share?

Mario Romero

Well, just to tell that we have achieved in the third quarter a 17% EBITDA margin, nine months of 15%. So really, the team in Argentina is doing a great effort to achieve those margins in such a volatile environment where it's not only about, you know, keeping up with inflation, but also with the FX not only in the Argentina side but also with in Mexico, which creates a double effect. So going forward, I think that's a good target to put in 15% to 17% in Argentina. And obviously our teams are striving and doing just a fantastic job down there in terms of managing the complexities of the country and achieving such a good margin.

Operator

Thank you, guys. Moving to the next question, Martín Lara from Miranda Global Research. He's asking about two things cost and Capex. So first is: "how do you see raw material costs going forward?", and the second one is: "what is the Capex level for the rest of the year, and how do you see it for 2024?"

Mario Romero

Well, I remember a similar question. Good morning, Martin, and thanks for joining us today. Last quarter we saw a similar question about raw materials, and we said that we see them quite stable where they are now. But in the last three months, things have changed in the Middle East. That has created some volatility in the energy space. So going forward, you know, at this point we think it's going to be around the same levels of raw material prices. But you know with these geopolitical tensions you never know. So, I would tell you that for the remainder of the year, we already have secured raw materials and costs are going to be quite stable again for 2024. It's all dependent on the geopolitical landscape. And then on the Capex level, we are heading towards a 3% Capex as a percentage of our revenue. So that's roughly about $360 million pesos. And for 2024, given that we have just passed this cycle of a technology update, we're going to see levels around 3%.

Operator

Thank you. Now from Sofia Martin, GBM of the first question is about Argentina. So, I'm going to read the second one. "Does your guidance for 2025 remain? Will there be any changes? And if so which will they be."

Carlos Rojas Aboumrad

Hello, Sofia. Thank you very much for joining and for your question. So, as I had mentioned, we do maintain our guidance for 2025 as is. There have been some challenges in terms of revenue growth this year, but that does not mean that we have not made progress in the development of our capabilities needed to deliver on the results of 2025. One of the biggest drivers for the results that we give in our guidance for 2025 is the capabilities that are required for the services business. And in services we've continued to grow quarter over quarter. Very strong growth, and this is because we've been developing capabilities around field services, around on e-commerce and this is very digitally enabled. So, all of that is on plan. And we would expect to deliver on that 2025 guidance. Anything else Mario that you'd like to share?

Mario Romero

No, I think it's very clear what you just told Sofia. Just hello to Sofia.

Operator

And then another question from Sofia. "What drivers do you see for 2024?"

Carlos Rojas Aboumrad

Services is one of the big ones. It's been very small, so big investment in services with very small scale. So, any growth in services was not generating any impact in the previous years. Scale now has come to a point where strong growth in services starts to move the needle for Rotoplas. So that is definitely one. This is unprecedented, at least for me. And it would be just an expectation. Last year we had a very dry season in Mexico that generated a lot of demand because there were big interruptions in the supply of water. This year it's been dry, but the interruptions in the supply of water have not been the same. The impact has been that the dam levels went down very much. It's going to be challenging if we have a regular season in terms of precipitation. It's going to be challenging for the country to be able to manage this situation. It's likely that there will be shortages of water and that there might be, again, a growth in demand for water storage and other water solutions. So, we went from very high demand because of a challenging supply of water in 2022, lower in 2023 because we didn't have those interruptions of supply of water and it's likely to happen next year. So probably again, some growth there. And also, for the US, we had the wettest season in a lot of our very relevant markets. And so that impacted on the demand of our solutions. And I don't think it's expected that it will continue to be that way. It was off the charts in terms of precipitation for the last season. Mario, anything else that you'd like to mention regarding drivers for 2024 financially.

Mario Romero

I think we'll need to pay close attention to the economy in the US. If it keeps on performing well? The second thing is we're going to have a political year in Mexico and in the US as well. So that's something that we need to consider going into 2024. So that's a kind of a macro things and political things we are we are considering our plan for 2024.

Carlos Rojas Aboumrad

We're keeping our eyes open in a big way for the undoubtedly surprises that will happen next year, but because they're surprises, we can't tell which they are until they happen.

Operator

Perfect. Moving to the next question. Felipe Barragan from BTG. "Thanks for the call and thanks for taking my questions. The first one is: could you share with us how volumes would have performed in Mexico if we exclude this high base? The abnormal effect from third quarter of 2022."

Carlos Rojas Aboumrad

I think it would look like at least an average of the two quarters. I think one way to look at it is you take that quarter for 2022, and this quarter for 2023, you find that average and you compare that to 2021. And we feel there's been, when you look at a whole cycle pre-pandemic to up to now, there's very strong growth. Mario.

Mario Romero

If you normalize demand in Mexico. Without that uptake, given the drought, it will be mid-single digit. The growth in units, which is a little bit like one and a half to two times the speed of growth of GDP, which is like the long-term trajectory that we use to understand our mature business, which is water tanks.

Carlos Rojas Aboumrad

Thank you for your question. Thanks for joining us.

Operator

Thank you. Michael from Zenon. "Thanks for taking my questions and congrats on navigating well in a very challenging environment." He's asking six questions. So let me start with the first. "Overall, you stated constant growing market share for the product segment. Can you give much transparency please, in which countries or markets you were stable and where you gained and where you maybe lost a little bit of market share?”

Mario Romero

Hi Michael, and thanks for joining us. We measure our market share on a monthly basis. That's something that we really take very seriously inside Rotoplas. And for us that's key. And probably what I'm going to tell you is for each country and each segment how we perform when we compare the first nine months of 2023 to the first nine months of 2022. In Argentina, water storage, we gained market share. In water flow Argentina, we kept our market share. Water heaters, we gained market share. In Peru, we gained market share in all three segments: water storage, water flow, and water heaters. In Mexico, we decreased slightly market share in water storage and in water flow we kept the same level of market share. In Central America we gained market share. That's for products and that was your question.

Carlos Rojas Aboumrad

I was just going to mention Mario that this is while we improved very strongly the returns on the business. So, this was part of the managing that I was mentioning in these variable conditions on some of the actions were focused on improving profitability for the business.

Mario Romero

And I was just going to add that in all the different segments and countries that we operate, we only lost market share in one of the segments. And the reason is that with all the fast trend of raw materials and FX pricing, we were a little late in promotions and discounts. Now, going forward, we have already started making very specific promotions and discounts to recover that market share. And the team in Mexico feels comfortable that by year end, our market share will be the same as in 2022.

Carlos Rojas Aboumrad

And I'd rather mention, just in this case, we don't usually disclose this, but the loss of market share is 1.5%. It's not material at all.

Operator

I'll be reading the second question. "What's your rough revenue split among the four core offerings bebbia, RSA, sceptics US and rieggo within the services segment or any other transparency you could provide in this direction?"

Mario Romero

Probably a good way to answer that, Michael, because that's an information that we don't disclose at this point. Rieggo and sceptics are still very small, and probably a good way to see it is just split the revenues in half.

Carlos Rojas Aboumrad

The size is comparable between bebbia and RSA.

Operator

The next question is related to that. "Can you provide more details on the performance of the water treatment plant business?"

Carlos Rojas Aboumrad

I think what we can say is that bookings for the water treatment business are reflected eventually in revenues in the future years. It's very long cycles to recognize bookings to revenues. And 2022 we had bookings that were about twice as much of our revenues. So, meaning with that level of bookings, the business will eventually double. This year is well over that. So, our leading indicators, which are bookings to see how revenues will look in the future, are such that are much, much larger than our revenues. So, offering high levels of certainty on the growth of that business. But it's again, long cycles. And so, it takes time to reflect. Mario, anything else?

Mario Romero

No, I think you. Just nailed it out.

Operator

Okay, moving to the next question. "Congrats on breaking the 100,000 units mark for bebbia. However, growth has been slowing with Q3 growth close to 6% for the quarter sequentially. Do you expect growth acceleration in Q4? Is this slowing unit growth due to less demand or lower marketing expense for you to protect EBITDA?"

Carlos Rojas Aboumrad

Just let me mention that the capabilities for this business were very new for Rotoplas. It's not a business about transformation of plastic is not a business that is done through the same distribution channel. And so, we had to develop lots of capabilities. And in some of the capabilities the development takes a little bit longer. For bebbia it was really about developing the capabilities around e-commerce and field services to be able to get on a track of continued rapid growth in a percentage way, but where the number of services are so much more. We had to have a little bit of a slowdown in growth to make sure that we were going to deliver on good experiences to our customers. And it's been worked on. Most of the work of the digital platform was done this year and end of last year. We'll continue until the end of the first quarter of next year, and that's really our platform to be able to grow and accelerated rates now with a much bigger scale. Mario, anything else you'd like to add.

Mario Romero

I think that's just trying to do the connection. We briefly explained about the Google Cloud when Carlos did that question early on. And for example, you know, we were working on be better at booking, be more digital to increase efficiency. And it's not only efficiency, it's also bandwidth. it's not the same servicing 10,000 clients that 100,000 clients. So, we're we are in the process of build as we grow. And that's very exciting why we stroke this strategic alliance to create that bandwidth in a faster way. Because we believe the opportunity is there, the consumers are coming to us. So, I think we're in a good spot and very focused on building those capabilities as fast as possible.

Operator

Thank you. Michael's last question. "Have you gained market share in the US e-commerce business? What is your market share and what do you estimate the market share of your largest competitor at?"

Carlos Rojas Aboumrad

So, regarding market share in the US, it has stayed fairly stable. It is a business that had tremendous tailwinds because of pandemic dynamics and because of drought. And so that base compared to the end of those pandemic dynamics and then having the weather systems impacted sales, but market share has remained fairly stable. It's a new market to us. And we continue to improve the way we calculate market share. In terms of selling through online and getting customers through online channels. We are the leading competitor. Also, I wanted to mention it's been of my highest priority to find strategies to grow in a more stable way the US business. Because of the strategic importance, being a country that offers such a large opportunity for growth, because of the size of the market and the needs in that market, and also the relevance in the role it plays as a diversification for Rotoplas. So, I spent a lot of my time in our Dallas office. I spent basically all of August in our Dallas office, I go very frequently, and one of our biggest focuses was to have the person who was looking at the US, who was also looking, overseeing Mexico, to focus exclusively on Mexico because of the traction we were having in services in Mexico. So very big growth opportunities in Mexico. And so, we generated more focus on that Mexico's track. At the same time, we looked for a CEO for our US business, and we're very honored to have on board with us because in this call, Joseph Vesey. Joseph was chief marketing officer for Veolia in his last role, sorry for Salem. He's in his last run role with one of the biggest water solutions companies in the world. And before that he was in G water. So, he has tremendous experience in the water business and tremendous experience in developing businesses in the US. So, we feel honored to have him and hopefully we will be able to have more stable growth going forward in the US. Mario, anything else that you'd like to share.

Mario Romero

No. I think you said everything around the US.

Carlos Rojas Aboumrad

Thank you very much for your questions, Michael.

Operator

Thank you, Charlie. Carmen Barroso from Miranda Partners. She was asking also about the US., so now I'm going to move forward to Rodrigo Salazar AM advisors. And he has three questions. I'm going to read the first one. "Could you explain further the demand situation in Mexico. How are dynamics and how do you see them moving into 2024 and how are peers performing?" We already touched on this, but maybe you can give another comment.

Carlos Rojas Aboumrad

Prices impacted revenues and having even though a very dry season, not having interruptions in flow on impacted revenues for 2024. I don't think that's necessarily something that can be sustained. So, we could potentially particularly in having uninterrupted water supply to customers. I think that can generate an uptick in demand.

Operator

Thank you. And the other two questions are related to the US.

Mario Romero

Just to complement and how our peers performing, you know, the market shrinks for everyone. I think we already explained around the market share that Michael asked. So, the situation is not only for us is for the market as a whole.

Carlos Rojas Aboumrad

One of the things that we're very excited, is we've had complete validation on a big investment to improve our water storage solutions. One of the family's water storage, the most relevant one, and the acceptance the adoption of this new product is tremendous. So very, very happy about that.

Operator

Thank you. "Could you give us more color on the EBITDA losses in the US and in services? How is the septic business developing and if it is included in the service segment?"

Carlos Rojas Aboumrad

It is still developing. And it is still the part of it is service, where we serve the customer in the design and implementation of the solution it is in the in the services, but aggressive growth is still very small scale. So, the impact in the results is very small. It will take still some time for it to start moving the needle for the Company.

Operator

Thank you. And the last question, it's a follow up question from Carmen Barroso for your growing service sales. "What are the key initiatives or growth drivers you are planning to focus on to maintain the momentum?"

Carlos Rojas Aboumrad

So, thank you again for your questions, Carmen. The biggest part is that we can serve much larger services per month or per day, in a way that we are doing it timely and where we can have very high customer satisfaction. And so, the biggest part is about having the capability to serve more and more services. And when I say more services, it's in quantity huge amounts more. In this way, where we can have very high customer satisfaction. On the design of the business, is one that has been very clearly validated, where the customers are very happy with the services that we're giving. So, the design of the model is giving us the opportunity to gain demand. And the biggest focus is in being able to serve that demand. Mario?

Mario Romero

And will just probably add that, as we explained in the I think it was a couple of calls ago. One of the initiatives to increase the speed of growth in services was implementing a programmatic M&A program, which is in place. And I think that can give further momentum to the services segment in Mexico. And I think we can wrap up the call now.

Operator

Correct. We have no further questions. So, thank you all for joining and see you next quarter.

Mario Romero

So, we did right on time. Thank you everyone. Have a great one.

Carlos Rojas Aboumrad

Thank you.